Previous references.
B 19-14 at 28 & 29 B July 1914 1983.-14
(Banking)

Later references.
B 12-14 Sec: 13

File No. 19-13

Serial Nos. 39, 40
57 & 52

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 39, 40, 57 & 52

Part B. for October 1914

SUBJECT,

Comptr's proposal to carry to the reserve fund of the Bank of Mysore an amount at least equal to the value of Govt's subscription.

From the Comptroller
6884 B+R 1079 § 28-4-14
Proposes as above for reasons stated.

To the Manager, Bank of Mysore
H 5280 § 22-5-14
Forwards copy of letter from the Comptr & requests to favour Govt with the opinion of the Directors whether there is any objection to the course suggested.

From the Manager Bank of Ireland

Letter of 22-10-14

Communicates opinions of the Directors who consider the proposal as an infringement in their sphere of duties connected with the working of the Bank.

To the Comptroller

No H 1835 of 24-10-14

Informs that of the amounts carried to the reserve together with the amounts carried & granted towards preliminary expenses approximately equal the first subscription viz £20842-4-9 for the period ending 30th June 1914, & do not consider it necessary to take further action

H 1836 of 24-10-14

Copy to the Manager Bank of Ireg for information

G.R.S. 11] 1913-14

GENERAL AND REVENUE SECRETARIAT.

Bank Rly

NOTES.

From The Comptroller

No. 6884/B&C/1079 Dated 28.4.14 Received 30.4.14

Diary No. 4387 | Enclos. Nil (Spare Copies.) | Serial No. 439

BRIEF ABSTRACT OF LETTER.

Proposes that the Bank may be advised to carry forward to the reserve fund an amount which equals the full money value of all the concessions utilized by it before appropriating the profits for dividend & that this portion of the reserve should be kept separate for equalisation of future dividends

NOTES AND ORDERS.

1) Para 5 VIII of G.O. H(572)-73/K9-12-24 dated 12th March 1913 sanctioning the formation of the Bank lays down that the Bank is to give due consideration to any advice

General and Revenue Secretariat. | K File No. 19 of 1913.

Serial No.

that may be tendered by Govt concerning the management of business.

2) Clause 3 (6) of Articles of Association defines the business relations of the Bank with Govt.

3) It is under the above clause that the concessions & conditions under which Govt agreed to that the Bank were formulated & mutually agreed to.

4) The Govt is now endeavours to tender the advice of carrying forward to the reserve such profits as arise out of the Govt concessions to which the Bank has to give due consideration.

5) Under art 128 of the Articles of Association the Directors are to declare the annual dividend with the sanction of the Shareholders. & no larger dividend is to be declared than is recommended by the Directors out of the profits of the Bank & the Directors

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No.

Declaration of profits is conclusive:-

6) It is thus seen that the Share holders have no voice in the declaration of profits & thus the determining power is in the hands of the Directors alone.

7) In article 64 (x) the Directors are to carry a sum of money not less than 25 p.c of the such profits of the Bank & to place the same to any one or more of the following 3 accts viz 1 Reserve Fund
2 Fire Insurance
3 Bad Debts.

out of the many objects for which the Reserve may be utilized at the absolute discretion of the Directors, (equalising dividends) is specifically mentioned.

8) If the Company proposals are to be carried - Art 64 (x) would have to be radically recasted - by eliminating equalising Dividends & suitably restricting

General and Revenue Secretariat. B File No. 19 of 1913.

Serial No.

The powers of the Directors over the Reserve in the para relating to the Reserve fund besides allotting a definite share out of the profits to be carried to the Reserve even if it were to consist only of the profits arising out of the Sark Concession

9) The concessions refused to by the Company are not only the money Exhibition of 5 Lacs without interest & another 5 Lacs with a nominal interest but apparently are also to include money Value of half the working expenses, Treasury guards &c mentioned in Clause 4 of the G.O of 12th March 1913.

10) From the point of view of Share holders the proposal of the Company cannot be welcome. They deliberately took shares on the certainty of sharing the large profits to accrue from Govt money & help.

11) In these circumstances the Directors may not be easily

GPB—60,000—7-11-13

General and Revenue Secretariat. 13 File No. 19 of 1913.

Serial No.

were sure to agree to the present proposals.

Submd.

Sd/ SW
6/5

6/5 12) The proposals suggested are very important & deserve to be carried into effect. We may address the Bank whether they should follow the course suggested. Please prepare draft

Sd/ 8/5

Draft submd.

Sd/ SW
8/5

Sd/ 9/5

13) Submitted to Dewan for approval before issue.

Sd/ 11/5

Please prepare a clean copy

Sd/ 11.5.13

Clean copy submd.

Sd/ SW
12-5

Dewan

Sd/ 12/5/13

Approved by the Council

Issued Sd/ 18/5/13

G.P.B.—60,000—7-11-13

R. S. 12]

General and Revenue Secretariat.

B File No. 19 of 1913.

Serial No.	
40	To the Manager Bank of Mysore L No H 5-480 d) 22-5-14 Enclosed copy of letter from the Comptt formulat suggestion to carry profits arr from Govt money to the Bank Reserve Fund & requests to favour early with the opinion of the Directors whether the is any objection to the con suggested.
57	From the Manager Bank of Mysore Ld Letter d 22-6-14 Communicates the opinion of the Directors on the subject. 14) The Directors are unanimously against the proposal & the reasons given are as follows. 1) The Directors are bound to set apart 25 p.c towards reserve as under art 64 (h) of the articles of Association & this should

Serial No.

suffice for creating the reserve
But there seems to be no
harm in adding something more
than 25% p.c of the net profits
to the reserve fund. The bigger
the reserve the greater the
confidence created in the
minds of the public - especially
the depositors. If the profits
arising from fort in Colombo
money is added to the re-
serve a very decent reserve
fund will be in existence
at the end of 10 years, when
the fort concessions would
be withdrawn & the Banks
future successful career
will be assured to a
certainty. The Comptr
is not asking anything
adverse to the Banks
interest. It is only to safe
guard it further than the
Directors are prepared to go.
Further the well being
of the Bank concerns the
Public whose interests

are in the hands of Govt & consequently embraces a wider circle than is represented by the Directors & Shareholders of the Bank & it is in their interest for the future safe working of the Bank the Govt proposals are made.

2) The second reason adduced that it may create an impression that the Bank is a Govt institution & not managed by the Directors entirely / Govt seem to have much lean on the question - It is because of its close connection with Govt its present successful working - otherwise the Shares would not have been taken up so very rapidly on deposits attracted how is the analogy of the Presidency Banks quite sound - the Presidency Bank has been started under such

General and Revenue Secretariat. | B File No

Serial No.

favourable auspices of Govt patronage as the local Bank

Again it is urged in the same para that the Directors by themselves cannot decide to the Comptrs proposal without consulting the general body of Shareholders. The question is no doubt of vital interest to the Shareholders - but their consent does not seem to be essential as the Directors alone can declare profits which is conclusive under art 128 of the articles of Association. But if the Comptrs proposal is acceded to, the Shareholders instead of enjoying immediate profits, can expect to have their Share Value raised in the market beyond their dreams & it would bring in more deposits & refill the up

casting benefit to the Public at large.

The next reason brought out is that the Directors are not moved in this matter by purely selfish motives but are actuated by what they consider as for the best interests of the institution which they are managing - as can be evidenced the Managers States by their giving many numerous instances in Volumes of relinquishing promotion money" - but the question who promoted & how many of this onerous duty fell to the share of the Directors of the Bank has also to be considered. It is doubtful whether the Bank could have been thought of even without the initiative & support of Govt.

GPB—10,000—13-6-14

General and Revenue Secretariat.

B File No. 19 of 1913.

Serial No.

Lastly the proposal is pronounced unworkable. If impracticable the Comptr is not likely to have raised the subject at all.

To sum up - notwithstanding the objections raised by the Directors to the proposal of the Comptr it would seem there can be said, why a Strong reserve will be serving the best interest of the Bank, the Shareholders, investors & the public at large.

Sd.

Sd 8/VI/16 It may at the outset be stated that first and foremost it is a suggestion that Bank should earmark the whole of the profits in reserve. Now of course if seems that the directors should go into the matter and resolve accordingly.

The Bank says that 25% of profits in reserve is a fair amount. But what we want is that every pie of the first Contribution that we shall

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No.

required to make up yr Shrs Accts
Shares &c en bloc to the Reserve
Fund & shd not be available for
declaring Dividend. If however
the Bank after that Year
they may set apart 25% of the
Profits Earned during the
current Year of the yr Calculation
to the Reserve Fund & they may after
that declare the Dividend.

It may perhaps appear that
declaring any Dividend in
preference to the working up
the Bank to what it is in the
interests of the Bank itself it wd
be desirable to increase the
Reserve as large as possible & that
no Dividend at the Year ending
shd be declared but that the
Directors shd be required to
pay Interest to Govt on the
Reserve Fund Every Year 25% of
the Profits not less than the Rate
of Int Calculation. It may be
that they shd be Empowered that
if the Bank makes Profits of
40000 then 25% to be set
the Amt of Int Calculation of the

GPB—10,000—13-6-14.

*General and Revenue Secretariat.

13 File No. 19 of 1913.

Serial No.

amount the Bank is bound to reach perhaps in the next year or self. What is meant by real sacrifice that the Bank is called upon to make to give effect to the suggestion of the Govt

Agreed

9.7.14

The Bank has to deal with the profits for one half-year.

Please calculate the full profits for one year & compare it with the amount transferred to the reserve fund.

A

M

24/7

Please put up papers.

Agreed

The amount of cash contribution from the Starting of the Bank is 11,548-10-4

The reserve fund allotted is 12,500-0-0

Profits Earned to date including Rent & Interest — 33784-3-9 + 7617-9-9 = 41401-13-6

Of this the interest on fee deposit at 2½% Earned by the Bank at the rate between the same & the date of interest paid to us & the other deposit headed it will be seen that the reserve fund is fully settled.

Agreed

GPB—10,000—13-6-14

[illegible] expe[illegible]
the 0/0 on the fort
deposit to be
calculated from data
of deposit of several
amounts to be
ascertained from Comps
Office if necessary

Difference of
Interest between 4 & 3
on deposit at 3 %
the calculated on
amount actually
drawn by Bank
must be left at
first Treasuries.

Cost of
Treasury Issues

Cost of Mutilated

an enquiry might be made
of depositors what are
in actual circulation
and be referred to, to bring
into mind the individual sub-
scribers.

Statement showing amounts deposited by the Currency Office with the Bank of Singapore Ltd

Gov't Subvention Loan

be worked out as follows:-

Without Int. Amount of Cash Subvention for 1913-14		% Interest.	
Date	Amount	Date	Amount
10th Oct. 1913.	Rs 2,50,000.	24th April 1914.	Rs. 20,000
23rd Dec 1913.	45,000.	25th April 1914.	20,000 10,000 }
1th mar. 1914.	92,275.	27th April 14.	20,000.
th June 1914.	1,03,000.	28th April 14.	10,000.
		29th April 14.	10,000.
Total.	4,90,275	2nd may 14.	6,000
		9th - - -	6,000
		18th - - - -	10,000.
		23rd - - - -	6,000
		26th - - - -	2,000
		27th - - - - -	4,000
		28th - - - - -	6,000.
		30th - - - - -	6,000
		6th June 14.	10,000
		9th - - -	4,000
		13th - - -	4,000
		Total.	154,000

4/9/14

Supdt

B&R

R. S. 12]

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No.	Money Value of fork Subventions	
Cash Subvention	As per balance sheet 31st Dec 1913	Rs 6 548 – 10 – 4
	Do – 30th June 1914	5000 – 0 – 0
Interest at 4 p.c. on fork deposits advanced from time to time upto 30th June 1914	Vide Comptroller's office statement attached	9034 – 5 – 5
Interest at 1 p.c. (difference between 4 & 3 p.c.) on fork money held at 3 p.c. during the first half year upto 30th June 14	Do	229 – 5 – 0
	Total	20812 – 11 – 9

In addition the cost of Treasury funds & of escorts for remittances, for the calculation of which no data is available have to be included

The net profits earned by the Bank for the period ending 31 Dec 1913 —— 2891 – 13 –

" " 30th June 1914 —— 31092 – 6 –

~~Preliminary expenses written off~~ 7471 – 9

Rs ~~47463 – 8~~ 33,984 – 3

The Bank has carried to the Reserve Rs 12,500

~~Given~~ Spent for bonus dividends 16,500

Written off Preliminary Expenses 7,617

Rs. 29

GPB—10,000—13-6-14

General and Revenue Secretariat.

B File No. 19 of 1913.

Serial No.

At times there are considerable balances of the Bank's money lying in the Treasuries which claim no interest. This perhaps may be set off against the cost of transferring funds & cost of remittances.

Init GVA
12/9

Seen. Thanks.

The Reserve Fund contra 12,500
Fire preliminary expenses 7,617
approximately equal the
Govt. subvention 20,812.

So it may be held that the dividend appropriated has been earned by the Bank.

In this view nothing can be regarded as seriously wrong.

M
15/9

Draft Settled.

Init GVA
17/9

Secy)

Scrap reply to Comptr's letter put up
hg
2/10

Resubmit: after filling up figures in margin billed in & resubmitted
hg
3/10

M
2/9

Secy)

GPR—10,000—13-6-14

Fair draft please
M
8/10

. R. S. 12]

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No. 330

Fair draft subd.
Lal Bihari Hosein) 13/10
Dr 14/10.

The word 'period' is too vague - make more definite -

A

B. How does Govt contribution exceed 10,.

M
14/10
Dr 13.10.

350

A. Done -

B. Reference is invited to Hosein's note dated 1.7.14 in Bank King file 19 of 1913 Serial 28-29. Ante 90 referred to in the margin

Hosein)
Dr 19.10.14

M
19/M
Issue Dr 19.10.

To the Comptroller
No H 1835 Dt 24-10-14
Inform him that as the amount carried to the reserve together with the amount objected towards preliminary expenses approximately equal the Govt subscription viz Rs 20 812-4-9, Govt do not consider it necessary to take further action
H 1836 Dt 24-10-14
copy to the Manager, Bank of Burma for information

Monthly of working expenses from 14th May 1913 to 31st Dec 13 Rs 6548-10-4
Govt contribution from 31st Dec 13 to 30th June 14 5000-0-0
11548-10-4

Govt contribution for 1 year H 212-13 Dt 1827-14

OFFICE OF THE COMPTROLLER, MYSORE GOVERNMENT,

Dated Bangalore, the 28th April *191* 4.

Bahadur
IAKRAVARTI, ESQ., M. A.,
P. R. A. S., ETC.,
Comptroller to the Government of
His Highness the Maharaja of Mysore.

To

.... ~~Esq.~~,

The *Secretary to the Government of Mysore,*

.....Financial.....*Department.*

SIR,

With reference to Government order No.Fl.5121-73- B 9-12-2 dated 12th March 1913 sanctioning certain concessions to and imposing certain conditions on the Mysore Bank, I have the honour to point out that no specific limitation of the Bank's power to declare dividends is mentioned therein. Although the Bank is fully entitled to appropriate as much as it considers desirable towards dividends from the profits earned by it in the ordinary course of business, to allow it to increase dividends by utilizing the Government subvention is not conducive to its healthy development and is opposed to the intention of Government. The Government support is chiefly intended to strengthen the position of the Bank as an institution and not to give direct benefit to individual shareholders. I therefore beg to suggest that the Bank may be advised under para 5 (viii) of the Government order referred to above that it should carry forward to the reserve fund an amount at least equal to the full money value of all Government concessions utilized by it before appropriating the profits for dividend and that the amount so carried forward should not

be

Rec.—Gl. 17]

.....Department.

1944

FROM

J. S. CHAKRAVARTI, ESQ., M.A.,
F. R. A. S., ETC.,
Comptroller to the Govt. of
H. H. the Maharaja of Mysore.

To

....ESQ.,

Secretary to the Govt. of Mysore.

.....Finance.....Dept

Dated

Despatched 28-4-44

Received

No. 6884/1079

Subject matter.

Suggesting that the Bank may be allowed under para 5 Viii, of the Govt. of Reserve Bank Act

be utilized for equalising future dividends.

I have the honour to be,

sir,

Your most obedient servant,

P Chakravarthi

Comptroller.

R. S. 26]

1915

Clear Draft

File No. 19

Serial No. 40

ary No. of letter replied to 4381

No. H 5480

General and Revenue Secretariat

(Banking)

, the 191 .

To

d 22nd May/14

Dear Sir - Rose

Date of issue 22nd May/14

Signed by W L Maravinkuden

I am enclosing a copy of letter No 6884 13-1079 d 28-4-14 from the Comptt formulating certain suggestn to carry the profits arising out of the use of Govt Concessions to the Bankg Reserve Fund. I am desired to request you to be so good as to inform Govt with the least possible delay whether there is any objection to Govt

over.

SUBJECT.

Comments suggested.

Yours faithfully

16.5.14

RO

Jim Scott

(Draft after ed by H Secretary
(with much draft).

W. E. Rose Esq.
Manager, Myrow Bank Ltd

The Bank of Mysore, Ltd., 5

Bangalore, 22nd June 1914.

DIARY No 5254

The Secretary to Government,
Financial Department,
Bangalore.

Dear Mr. Chakravarti,

I am in receipt of your letter dated 22nd May 1914, No.Fl.5480/B.19-13-44, asking for the opinion of the Directors on the suggestion made by the Comptroller in his letter No.6884/B & R 1079 dated 28th April 1914, to the address of the Government of His Highness the Maharaja of Mysore for imposing conditions for specifically limiting the powers of the Directors to pay dividends only out of the profits earned by the Bank from the investment of its own funds, in the ordinary course of business, without utilizing the profits that may accrue from the utilization of all, or any, of the concessions that Government have been pleased to grant to the Bank in the initial stages of its career.

In reply, I have to inform that the Comptroller's letter was duly submitted to the Directors at their meeting on the 18th instant, and due consideration given to the proposal contained therein.

I am desired, in the first ~~place~~ instance, to invite the attention of Government to Art.64(p) of the Banks

Articles of Association under which the Directors are bound to set apart, from time to time, a sum of money not less than 25 per cent of the net profits as a "Reserve", and the Directors consider this provision ample in itself to safe-guard the position of the Bank.

Secondly, they are of opinion that any action on their part of the kind suggested by the Comptroller may, besides fettering their discretion, create an impression that the Bank is a Government institution and under the orders of the Government - an idea which would in every way be inimical to the avowed policy of Government to encourage "self help, power of initiative "and a capacity for organization" in the non-official public. There is,also, no precedent in the case of the Presidency Banks, who hold large funds of the Government of India as well as of the Governments of Native States, to justify the Government acting in the manner suggested by the Comptroller. Further, the specific limitation of the Banks power to declare dividends, which the Comptrol desires to have incorporated in the Government concessio granted to the Bank, is not one which the Directors can accede to without the consent of the general body of shareholders, duly convened for that purpose, and for

the Board to approve of so drastic a proposal would - - practically amount to a withdrawal of the benefits which the published prospectus of the Bank held out to the public who subscribed for shares in the Bank.

I would, also, like to point out that one of the - - principal reasons for the establishment of the Bank of Mysore was the crying need for the creation of facilities to ease the stringency of the local money market handicapping heavily traders and producers alike, and it will no doubt be gratifying to Government to hear that during the short period the Bank has been in existance, the rate of interest has been materially reduced ~~in~~ at those - - centres at which Agencies have been established.

It will not be out of place for me to draw the attenti of the Government to the action of the Directors in transferring the whole of the profits to "Preliminary Expenses", as disclosed in their first report to the shareholders on the working of the Bank to the 31st December 1913, as specific evidence of their desire to first strengthen the position of the Bank as a financial institution in preference to giving any monetary benefit to shareholders. Thei magnanimous conduct in voluntarily ~~xxx~~ relinquishing the promotion money, to which they were entitled, is, also, further evidence in point.

Lastly, as a matter of business, the suggestion of the Comptroller is impracticable; for, apart from the concession under Clause IV, para ii, it is not possible to estimate the "full money value" of the other concessions utilized by the Bank. For instance, it is scarcely feasible to differentiate the Banks funds from that of Government, earning nothing, in Government Treasuries, the Bank of Madras, Cash on hand, and at its several Agencies.

In conclusion, the Directors while welcoming all advice from Government intended for the welfare of the Bank, beg to assure the Government that they are as keenly alive, as the Comptroller, to the necessity to strengthen the position of the Bank as a financial institution at the outset of its career, and thus gain the confidence of the Government as well as that of the investing public, on whose benevolent and active co-operation, the progress of the Bank is so greatly dependent.

Clear draft

File No. 19

Serial No. 52

Diary No. of letter replied to 525-4

No. H 1835

General and Revenue Secretariat

(Banking

, the 191 .

To

& 24 Oct 14

The Comptroller,

Date of issue

Sir,

With reference to your letter
No. 6684 & 28-4-14 suggesting
1079
that the Bank of Bycorn
may be advised under para 5 (vii)
of the G.O of the 12th March 19
sanctioning the formation of the
Bank, to carry forward to the
reserve fund an amount at least
equal to the full value of Rs 1
Concessions utilized by the B

over.

SUBJECT.

I am directed to state that as per Balance Sheets & Profit & Loss Statements from the period from the Bank began operations till the 30th June last, it is found that the sum of Rs 125-00 has been carried to the Reserve Fund and Rs 76.7 towards the adjustment of preliminary expenses. As these two together approximately equal the Govt subvention as calculated in the margin, the Govt do not consider it necessary to take any action at present.

Govt contribution towards working expenses — 11548-10-

Interest at 4 p.c. on interest free deposit of Govt — 9034-5=

Interest at 1 p.c. (difference between 3% & 4%) on Govt money lent at 3% — 229-5=0

20812-4-

I have etc.

H Sey

19/10

14/10 19/10

Rec 26 1836 List of enclosures,

& 24 October 14

Copy to the Manager, Bank of Mysore for information with reference to correspondence ending with his letter & 22-6-14

B. O

19/10

H Sey

14/10/14

Copied by

Examined by

GPB—25,000—4-3-13